

# KNOW YOUR BENEFITS.

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HCR



## Health Care Reform: Form W-2 Reporting

The health care reform law requires employers to report the total cost of employer-sponsored group health plan coverage on their employees' Forms W-2.

The purpose of this reporting requirement is to provide information to employees regarding how much their health coverage costs. It does not mean that the cost of the coverage is taxable.

### **What Information Must Be Reported?**

Employers must report the total cost of certain types of employer-sponsored health coverage. In general, this means coverage under group health plans.

It does not matter whether the employer or the employee pays for the coverage—it is the total cost of the coverage that must be reported. This means both the employer- and employee-paid portions.

Some coverage types do not need to be reported on Forms W-2. These include employee contributions to a health flexible spending account (health FSA), non-integrated dental or vision plans, health reimbursement arrangements (HRAs), multiemployer plan coverage, long-term care coverage and excepted benefits like liability insurance.

The new reporting requirement does not apply to amounts contributed to an Archer

medical savings account (Archer MSA) or amounts contributed to a health savings account (HSA). Those amounts are already required to be separately accounted for on Forms W-2.

### **Do All Employers Have To Report This Information?**

In general, all employers that provide health coverage to employees must comply with the new reporting requirement.

This requirement applies to government entities, churches and religious organizations. However, it does not apply to Indian tribal governments or tribally chartered corporations wholly owned by an Indian tribal government.

Small employers are also exempt from the reporting requirement until further notice from the Internal Revenue Service (IRS). An employer is considered a small employer if it had to file fewer than 250 Forms W-2 for the prior calendar year.

**The purpose of the reporting requirements is to provide information to employees. It does not mean that the cost of the coverage is taxable.**

### **When is the Reporting Requirement Effective?**

Large employers, those that file 250 or more Forms W-2, must comply with the reporting requirement for the 2012 tax year. Forms W-2 provided in January 2013 must adhere to the new reporting requirement.

Although the reporting requirement was initially set to take effect beginning with the 2011 tax year, the IRS delayed the compliance date by making reporting optional until the 2012 tax year. Some employers may have chosen to report the cost of health coverage on their employees' 2011 Forms W-2, which were issued in January 2012.

As noted above, small employers (those filing fewer than 250 Forms W-2) are currently exempt from the reporting requirement, though the exemption may be temporary.

### **Where Will the Information Be Reported?**

The health coverage cost information will be shown in Box 12 of your Form W-2. Box 12 may also include other types of information required to be included on the Form W-2. Each piece of information will have a specific code. The health coverage cost will be labeled with code "DD." This is a new code for indicating the cost of an employee's health coverage.

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### **Does This Rule Affect My Taxes?**

No. The inclusion of health care coverage information on Forms W-2 does not change the rules for taxable income. It does not affect the tax exclusion for amounts paid for medical care or coverage. Those items are addressed in another portion of the tax law that is not affected by this change.

The IRS has specifically stated that the reporting is for informational purposes only, to show employees the value of their health care benefits so they can be better informed consumers.

### **Is There Anything I Need to Do?**

The new reporting requirement does not impose any new obligations on employees. You may review the information regarding the total cost of your health benefits, but you do not need to take any additional action.

A photograph of medical supplies including a white pill bottle, a white stethoscope, a glass of water, and a syringe, all resting on a white ECG (heart rate) grid. A red semi-transparent banner is overlaid on the center of the image.

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